GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1913
ANSWERED ON:03.08.2001
SHARE PRICE MANIPULATION BY COMPANIES
GADDE RAMAMOHAN;M.V.V.S MURTHI

Will the Minister of FINANCE be pleased to state:

(a) whether the Sterlite, Videocon and BPL were recently barred from accessing the capital market by SEBI on charges of share price manipulation;

(b) if so, the details thereof;

(c) whether the enquiry in this regard has been completed; and

(d) if so, the outcome thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): The Securities and Exchange Boardof India (SEBI) has passed orders on 19.4.2001debarring BPL Ltd., Videocon International Ltd. and Sterlite Industries Ltd. from accessing the capitalmarket for a period of 4 years, 3 years and 2 years respectively, under section 11 and 11B of the SEBI Act. Prosecution proceedings of the above mentioned companies were ordered under section 24 of SEBI Act forviolation of SEBI Act and SEBI (Prohibition of Fraudulent and Unfair Trade Practices for dealing in securities) Regulations.

(c) & (d): SEBI had initiated enquiriesinto the alleged price manipulations in the share prices of M/s BPL,Videocon and Sterlite in April/May, 1998. The investigations were completed in three stages. In the first stage, which was completed in October 1998, it was brought out that a set of brokers and sub-brokers acting on behalf of a common set of clients who were acting as a front for Harshad Mehta cornered large chunk of shares of these companies. This cornering led to price manipulation. Pursuant to these investigations, 18 brokers were suspended for periods ranging from one to three years. Punishment for shorter periods was awarded to some other brokers depending on the extent of their involvement. In the second phase of investigation, which was completed in January, 1999, President of BSE was asked to relinquish office, theVice President and Executive Director of BSEresigned following investigations. The Executive Director was also debarred from holding public office in any capital market related public institution for a period of three years. In the third phase, investigations were completed against Harshad Mehta, BPL, Videocon and Sterlite by October, 1999.Show cause notices were issued to them in December, 1999. The parties were given the opportunity of final hearings in the month of March/April, 2001. Pursuantto the hearings, SEBI passed orders on 19.4.2001debarring BPL Ltd., Videocon International Ltd. and Sterlite Industries Ltd. from accessing the capital marketfor a period of 4 years, 3 years and 2 years respectively. Harshad Mehta has been permanently debarred from dealing in securities and his prosecution has also been ordered.